

Message Text

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ACTION EUR-12

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E.O. 11652: GDS
TAGS: EFIN MCAP GW NATO
SUBJECT: BURDENSHARING: US-FRG OFFSET AGREEMENT

REFS: A. USNATO 662; B. STATE 45202

1. USNATO WOULD STRESS THAT IT WILL BE IMPORTANT TO HAVE SOME SIGN FOR THE ALLIES TO SEE THAT US/FRG OFFSET NEGOTIATIONS ARE OPENING AT AN EARLY DATE.

2. THE PRESENT OFFSET AGREEMENT EXPIRES ON JUNE 30, 1975-- JUST AS THE LAST PRESIDENTIAL REPORT ON THE JACKSON NUNN AMENDMENT (DUE MAY 16) GOES FORWARD TO THE CONGRESS. MOREOVER, THERE IS GROWING AWARENESS HERE THAT STEADY EROSION OF DOLLAR-VERSUS-DEUTSCHE MARK AND INCREASING CIVILIANIZATION OF MILITARY TASKS IN EUROPE ALMOST CERTAIN TO EFFECT U.S. BOP ON MILITARY ACCOUNT ADVERSELY. THESE FACTORS WILL FOCUS THE ALLIES' ATTENTION AGAIN ON THE WHOLE ISSUE OF BURDENSHARING. WE CAN FORESEE TWO PROBLEM AREAS WITH ALLIES IF THERE IS NO SIGN OF EARLY OFFSET NEGOTIATIONS. FIRST, NORTH ATLANTIC COUNCIL IS SCHEDULED TO REVIEW IN MID-APRIL FINAL REPORT ON MILITARY PROCUREMENT IN U.S. BY OTHER REPEAT OTHER ALLIES IN FY 74 TO ENABLE USG TO MEET JACKSON-NUNN REQUIREMENTS. THIS PRESENTATION WILL AGAIN REVIVE THE QUESTION WHETHER OTHER ALLIED GOVERNMENTS NEED TO CONFIDENTIAL

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CONTINUE REPORTING TO NATO ON THEIR MILITARY PURCHASES IN U.S. IT WOULD NOT REPEAT NOT BE ADVANTAGEOUS TO U.S. TO HAVE OTHER ALLIES CONCLUDE THE NEED WAS PAST. SECONDLY, ASIDE FROM THE DELICATE QUESTION OF WHAT TURKEY'S POSITION MIGHT BE,

THE EUROPEAN ALLIES WILL WANT TO KNOW WHETHER THEY WILL HAVE TO CONSIDER CONTINUING U.S. NEED FOR PAYMENTS TO OFFSET THE INCREASED OUTFLOW LIKELY TO RESULT FROM THE CIVILIZATION OF MILITARY TASKS IN EUROPE AND THE STEADY DECLINE IN THE VALUE OF THE DOLLAR. IF THE U.S. HAS NOT ALREADY BEGUN OFFSET NEGOTIATIONS WITH THE FRG WHEN BONN'S BALANCE OF PAYMENTS SURPLUS IS AT A RECORD LEVEL, OTHER ALLIES MAY CONCLUDE THAT THE U.S. IS NO LONGER TYING BURDENSHARING TO THE BALANCE OF PAYMENTS PROBLEM. SUCH THINKING COULD MAKE IT MUCH HARDER TO GET FRG AND OTHER ALLIES TO PARTICIPATE IN NEW BURDENSHARING EFFORTS LATER.

3. MISSION BELIEVES IT IS IN U.S. INTEREST TO CONTINUE WITHOUT INTERRUPTION THE HISTORICALLY ACCEPTABLE CONCEPT OF A BILATERAL ARRANGEMENT WITH FRG, COUPLED WITH THE ADDITIONAL OFFSET TO OUR EXPENDITURES AS A RESULT OF MILITARY PROCUREMENT IN U.S. BY OTHER EUROPEAN ALLIES.

4. WITH REGARD TO CANDIDATES FOR FRG OFFSET, MISSION WOULD STRONGLY SUGGEST THAT WASHINGTON TAKE HARD LOOK AT AREA OF PERSONNEL SUPPORT FACILITIES. THE RULING (DURING NEGOTIATIONS FOR U.S. SPECIAL PROGRAM IN INFRASTRUCTURE SLICE XXVI-XXX CEILING (CINCEUR ECJ4-7 21333) THAT SUCH FACILITIES DID NOT REPEAT NOT QUALIFY FOR COMMON FUNDING MAKES THE ORIGINAL EUCOM LIST OF REQUIREMENTS (CINCEUR ECJ4/7 12307) A READY-MADE RESERVOIR OF CANDIDATES SINCE THEY ARE SO SIMILAR TO PREVIOUS BARRACKS REHABILITATION PROGRAM.

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